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ABSTRACT

Demographic and economic growth in the sunbelt states has been interpreted by some as a threat to the northern frostbelt states. Consequently, many have argued for the revision of policies affecting the distribution of federal funds among states. This paper examines the merits of such an argument by looking at concrete economic and demographic data, including the results of the 1980 census. The author concludes that the sunbelt-frostbelt conflict is essentially a myth, resulting from misinterpretation of data, erroneous extrapolation of short-term trends, and confusion between relative and absolute changes. Recent studies have calculated state-by-state ratios of per capita federal spending to per capita federal tax collection, showing that frostbelt states pay more than they receive and vice versa for the sunbelt states. The author argues that such studies are misleading and suggests that a better bias in the distribution of federal funds is the regional share of federal transfers to states and local governments. He then explores alternatives in funding for three programs--vocational education, rehabilitation, and public library services--and concludes that elimination of income adjustments from federal formulas governing funds distribution would negatively affect educational opportunity. (Author/WD)

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Number 1

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RELATIONSHIP OF REGIONAL ECONOMIC GROWTH PATTERNS TO EDUCATION FUNDING ALTERNATIVES

by Ronald Bird

EA 014 247

Southeastern Regional Council for Educational Improvement

October 1981

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Number 1

RELATIONSHIP OF REGIONAL ECONOMIC GROWTH PATTERNS TO EDUCATION FUNDING ALTERNATIVES

by Ronald Bird

Associate Professor of Economics
University of Alabama

Southeastern Regional Council for
Educational Improvement

October 1981

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The Relationship of Regional Economic Growth Patterns to Educational Funding Alternatives

Summary

Recent articles in national publications have focused attention on the economic growth experience of states in the southern and western regions during the past ten years. The states in these regions, identified as the Sunbelt, have been characterized as enjoying economic growth and prosperity of historic proportions. Conversely, the states of the traditional industrial northern regions, the Frostbelt, have been characterized as suffering from economic stagnation and declining population. The alleged disparities in economic performance between the Sunbelt and the Frostbelt have been used to imply the existence of an acute and fundamental conflict of economic interests between the regions. In political terms the putative struggle between the Frostbelt and the Sunbelt states have found expression in arguments for revision of policies affecting the distribution of federal funds among the states.

This paper examines the Frostbelt-Sunbelt growth issue in terms of concrete economic and demographic data, including the results of the 1980 census. It is shown that the Frostbelt-Sunbelt conflict is largely a myth. The idea of Frostbelt economic decline in conjunction with Sunbelt prosperity is the result of misinterpretation of data, erroneous extrapolation of short-term trends, and confusion between relative and absolute changes.

During the past decade southern and western states did experience a higher rate of population growth than northern states, but forty-eight percent of the United States population remains concentrated in the northern regions. High relative population growth rates in the South and West have caused only gradual shifts in the regional population distribution.

Despite the economic growth experience of the Sunbelt states during 1970-1980, most of the states in the region remain significantly below the nation in per capita income. Economic growth has not been uniformly distributed across the region, and the South continues to suffer from the nation's greatest concentration of poverty.

During 1970-1980 every region experienced growth in per capita income and in total employment. In the southern and western states per capita income grew more rapidly than it did elsewhere, but most of the Sunbelt states are still below the per capita level of economic well being enjoyed in the Frostbelt states. There is no

evidence of widespread economic crisis in the Frostbelt states. Close inspection reveals most examples of Frostbelt hardship are purely local situations and are offset by other areas of growth and prosperity within the same state or region.

Some recent studies have calculated ratios of per capita federal spending to per capita federal tax collection for each state which seem to show that Frostbelt states pay more than they receive and vice versa for the Sunbelt states. Such computations are misleading for several reasons. First, the spending/tax ratio incorrectly implies that the benefit of defense spending accrues only to the state in which the spending occurs. Second, the spending/tax ratio ignores the pervasive interstate economic impacts of large federal construction and acquisition programs. Last, the spending/tax ratio overstates the tax burden of northeastern states which serve as headquarters for large national corporations because federal corporate income tax collections are reported as tax burdens for the headquarters state.

A better measure of bias in the distribution of federal funds is the regional share of federal transfers to states and local governments. The New England states received $394 per capita as federal transfers and grants to state and local governments in 1979; the Middle Atlantic states received $373 per capita; the East South Central states received $339 per capita; the national average was $341 per capita.

One result of the myth of Sunbelt-Frostbelt economic conflict has been a proposal to remove the per capita income adjustment factors from formulae governing the distribution of education funds. These adjustment factors give relatively higher allocation ratios to low income states than those states would receive on the basis of population alone. It has been argued that the recent economic growth experience of the Sunbelt states, which benefit from the adjustments, has eliminated the economic disadvantaged which once justified a regional bias in the distribution formulae. It is also argued that elimination of the per capita income adjustment factors from the formulae will transfer funds primarily from Sunbelt states to supposedly needy Frostbelt states. In addition to correcting the myth of greater economic need in the Frostbelt, the tables in the text of the paper show that many Frostbelt states would also lose funds as a result of formulae revision. Three representative federal education programs are used to illustrate the state by state dollar effect of excluding per capita income considerations from funding formulae. The three programs are Vocational Education, Rehabilitation, and Public Library Services.

Per capita income considerations were included in the formulae for education grant distribution originally becaused the relative poverty of some states was relevant to the educational goals of the programs. Education opportunity is an important vehicle for promoting economic development of the relatively poor areas of the nation. While the income gap between the rich and poor states today is narrower than in the past, the gap is still present and it is still significant. As long as that gap persists, there is no basis for removing per capita income from the formulae.

THE RELATIONSHIP OF REGIONAL ECONOMIC GROWTH PATTERNS TO EDUCATION FUNDING ALTERNATIVES

The Relationship of Regional Economic Growth Patterns to Education Funding Alternatives

Section One: Introduction

During recent years increased public attention has focused on the trends in population change and economic growth across the United States. The impressive growth of the Sunbelt states across the South and West has been the source of both satisfaction and consternation. In some quarters the improved economic performance in the Sunbelt states, a historically depressed region, has been interpreted as a threat to the traditional economic hegemony of the northern industrial tier of states--the so-called Frostbelt. Respected journals have characterized the economic trends of the nineteen seventies as a struggle between the Sunbelt and the Frostbelt states.[1] Regional economic growth in the United States has been interpreted as a zero sum game: A situation in which one region can gain only if another region loses.

The alarmist attitude which has characterized much of the recent discussion of economic growth was most evident in a Business Week feature article which called the putative economic conflict between the Frostbelt and the Sunbelt a "second civil war."[2] The relative growth of population, jobs, and per capita income in the South and West was described as contributing to an economic crisis in the northern states from Illinois to Massachusetts. The Business Week article drew the implication that differing economic

trends in the Sunbelt and Frostbelt regions were leading to a political conflict between the regions regarding policies for distributing federal aid to cities and states.

An earlier article in the respected National Journal drew conclusions about the north-south economic policy conflict similar to the conclusions of Business Week.[3] The National Journal article pointed out that because of the historical position of the South and parts of the West as economically disadvantaged areas, federal policies governing the distribution of aid to states and local governments were biased in favor of those areas. The bias in the distribution of funds was accomplished by allocation formulae which incorporated economic variables that are sensitive to the relative poverty of southern and western states. The National Journal article argued that the recent growth of the Sunbelt and the decline of the Frostbelt had changed the economic realities on which federal aid distribution policies should be based. It was proposed that pro-sunbelt variables, such as per capita income, be eliminated from distribution formulae in order to channel more federal funds to the Frostbelt states. The article started a national debate over the economic impact and purpose of policies affecting the regional distribution of federal spending.

The national debate concerning the composition of aid distribution formulae is especially significant for the future of programs in education. Educational funding is one of the largest

categories of federal transfers to state governments, and the federal education programs rely heavily on mathematical distribution formulae which combine demographic and economic variables. Population and economic growth trends, along with possible revisions of formulae, will have significant effects on the future growth of funds to support existing state education programs. Program and budget planners need to be aware of the current trends and their interpretation in order to forecast future needs and constraints. In that context, this paper is offered to interpret the facts regarding recent demographic and economic changes across the various regions of the United States and to relate the patterns of change to the problems and issues affecting public education funding.

This paper is divided into five sections, this introduction being section one. In section two I will examine recent United States demographic trends. State and regional population data, including 1980 census results, and employment data will be analyzed. In section three I will examine recent trends in variables of economic well-being. State and regional comparisons of per capita income and disposable income will be presented and interpreted. In section four I will discuss the distribution of federal tax collections and spending among the states. I will examine the validity of the frequent allegation that citizens of Frostbelt states pay more to the federal government than they get

back in spending. In section five I will apply the facts and interpretations developed in the previous sections to the narrower problem alternatives in education funding. The examination of education funding issues will be in the context of three representative education programs: Vocational Education Basic Grants to States, Rehabilitation Act Basic Support Grants, and Library Services and Construction Act Grants. I will examine the effect of current economic and demographic variables on the distribution of funds among states for each of the three programs. I will also examine the effect of alternative formulae on the distribution of funds for the three programs.

The position taken in this paper is different from the point of view presented in the National Journal and other discussions of regional economic growth trends. In the following pages the predominant theme will be that the notion of widespread economic decline in the Frostbelt states is an exaggeration and (in some cases) a total misrepresentation of the economic facts. The argument developed in this paper continues along several of the lines of analysis developed earlier by Jusenius and Ledebur in their paper "A Myth in the Making."[4]

The differences between the conclusions reached here and some of the conflict-oriented conclusions of earlier analyses arise from three sources. The first is the result of an attempt here to more carefully interpret the distinction between relative and absolute

changes in economic variables. The second source is the result of using up-to-date data, including 1980 census results. Earlier studies relied on 1970-1975 data which were misleading because of the 1975 recession. The third source of difference is the use here of more state-level data. The individual state data reveal differences within each region which are glossed-over by regional aggregates.

The analysis and interpretation of regional economic trends has become the basis of arguments for important changes in policies affecting the distribution of federal spending. This paper will attempt to separate the facts from the myths about regional economic trends.

Section Two: Demographic Trends

Much attention has recently focused on the rapid population growth of the Sunbelt states. In percentage growth rates the states of the southern and western regions have clearly led the nation during the past ten years. Unfortunately, the recent population trends have also been subject to exaggerated and confused interpretations. At the extreme, some commentaries have falsely implied that Sunbelt growth will leave other parts of the nation depopulated.[5] In this section I will examine the data and the concepts relevant to recent demographic trends and put the matter of Sunbelt population growth in its proper perspective. I will show that despite the growth of southern and western states, the greatest concentration of population is still in the northern and northeastern regions; I will discuss the correct interpretation of interstate migration; and I will discuss the important distinction between relative and absolute demographic shifts.

Table 2.1 shows 1980 United States population totals for each state and the percentage relation of each state population.[6] The states are grouped according to the official regional classification used by the United States Bureau of the Census. The census classification of regions will be used where possible in this paper. Exceptions will be noted in the text.[7] Occasionally the terms North, Northeast, South, and West will be used to identify regions. North corresponds to the East North Central and

TABLE 2.1

DISTRIBUTION OF U. S. POPULATION BY STATE, 1980

Region/State	Population (in thousands)	% of U. S. Total
New England		
Maine	1,125	.5
New Hampshire	921	.4
Vermont	511	.2
Massachusetts	5,737	2.5
Rhode Island	947	.4
Connecticut	3,108	1.4
Middle Atlantic		
New York	17,557	7.8
New Jersey	7,364	3.3
Pennsylvania	11,867	5.3
East North Central		
Ohio	10,797	4.8
Indiana	5,490	2.4
Illinois	11,418	5.0
Michigan	9,258	4.1
Wisconsin	4,705	2.1
West North Central		
Minnesota	4,077	1.8
Iowa	2,913	1.3
Missouri	4,917	2.8
North Dakota	652	.3
South Dakota	690	.3
Nebraska	1,570	.7
Kansas	2,363	1.0
South Atlantic		
Delaware	595	.3
Maryland	4,216	1.9
District of Columbia	638	.3
Virginia	5,346	2.4
West Virginia	1,950	.9
North Carolina	5,874	2.6
South Carolina	3,119	1.4
Georgia	5,464	2.4
Florida	9,740	4.3

TABLE 2.1 CONTINUED

Region/State	Population (in thousands)	% of U. S. Total
East South Central		
Kentucky	3,661	1.6
Tennessee	4,591	2.0
Alabama	3,890	1.7
Mississippi	2,521	1.1
West South Central		
Arkansas	2,286	1.0
Louisiana	4,204	1.9
Oklahoma	3,025	1.3
Texas	14,228	6.3
Mountain		
Montana	787	.3
Idaho	944	.4
Wyoming	471	.2
Colorado	2,889	1.3
New Mexico	1,300	.6
Arizona	2,718	1.2
Utah	1,461	.6
Nevada	799	.4
Pacific		
Washington	4,130	1.8
Oregon	2,633	1.2
California	23,669	10.0
Alaska	400	.2
Hawaii	965	.4
U. S. Total	226,505	

Source: U. S. Bureau of the Census, 1980 Census of Population: Supplementary Reports, Series PC80-51, Number 1, May 1981.

West North Central census regions; Northeast corresponds to the Middle Atlantic and New England census regions; South refers to the South Atlantic, East South Central, and West South Central census regions; West refers to the Mountain and Pacific census regions.

The 1980 data show that the United States population remains concentrated in a few states, primarily in the North and Northeast regions. Over fifty percent of the United States population lives in the ten most populous states. Seven of the top population states, accounting for thirty-three percent of the United States population, are located in the North and Northeast regions. The only Sunbelt states making the most populous list are California (10% of United States population), Texas (6.3%) and Florida (4.3%).

The past two decades have been a period of important demographic shifts within the United States. The most significant change has been the apparent end of a trend which had dominated United States demography through the first half of this century: A strong pattern of a net migration from the rural deep South and Appalachia to the industrial North.

Interstate migration is never a one-direction phenomenon. During any period there are large numbers of people leaving and entering any state. The determinant of significant national population shifts is net migration: Net migration is the difference between total in-migration and total out-migration. During the first half of the twentieth century the large migration

from the rural South to the urban areas of the industrialized northern states more than offset the simultaneous migration out of the northern industrial tier toward the western states and (to a lesser extent) the southern states. The net in-migration to the northern industrial states, added to the internal rate of natural population increase, resulted in a regional population growth rate that led the nation. In the South the net out-migration partially offset the rate of natural increase and resulted in a lower regional population growth.

During the sixties and seventies the historical migration pattern was altered. The rate of out-migration from the South to the industrial North slowed. Simultaneously the rate of out-migration from the industrial North to the West and areas of the South, which was already occurring, picked up pace. The result has been higher than average population growth rates in the West and South, and lower than average population growth rates in the northern industrial tier of states. The net in-migration to the South during the nineteen seventies is as much the result of a slowing of the South to North population flow as it is the result of an increase in the North to South flow.

Changes in migration patterns have been an important factor determining the differences in regional population growth rates, but migration is not the only factor. Equally important are the differences among states in the rate of natural increase. The rate

of natural increase in the Sunbelt during the past ten years has been almost twice as high as the rate of natural increase in the North. Jusenius and Ledebur have estimated that half of southern and western population growth is the result of natural increase.[8] If Florida, which has experienced the greatest in-migration, is excluded, natural increase accounts for 65% of Sunbelt population growth.[9] Because of natural increase, the growth of population in the Sunbelt would have led the nation during the past decade even if net in-migration had been zero.

During the period 1970-1980 the population of every census region, except the Middle Atlantic states, increased. Table 2.2 shows the distribution of population growth among the regions. In percentage the Mountain region led in population growth with a 37.3% increase. The Middle Atlantic states lost 1.1% and New England (4.3%), East North Central (3.5%) and West North Central (5.3%) regions all grew at below average rates. The national average was 11.5% population increase during the ten year period. Among the Sunbelt regions the growth rates varied greatly. The East South Central region grew at 14.5%, a rate only slightly above the national average while the West South Central region grew at 23.0%.

Regionally aggregated growth rates hide important variations among the states within each region. Table 2.3 shows 1970 to 1980 population growth for each state. The region experiencing the

TABLE 2.2

PERCENTAGE AND ABSOLUTE POPULATION CHANGES
BY CENSUS REGIONS, 1970-1980

	Percentage Change 1970 to 1980	Actual 1980 Population Minus 1970 Population (in thousands)
New England	4.3	506
Middle Atlantic	-1.1	-411
East North Central	3.5	1,418
West North Central	5.3	865
South Atlantic	20.4	6,272
East South Central	14.5	,860
West South Central	23.0	4,423
Mountain	37.3	3,088
Pacific	19.9	5,273

Source: U. S. Bureau of Census, 1980 Census of Population Supplementary Reports. Series PC80-81, Number 1, May 1981.

TABLE 2.3

PERCENTAGE AND ABSOLUTE
POPULATION CHANGES BY STATES, 1970-1980

Region/State	Percentage Change 1970 to 1980	Actual Population 1970 to 1980 (in thousands)
New England		
Maine	13.4	133
New Hampshire	24.8	183
Vermont	15.1	67
Massachusetts	.8	48
Rhode Island	0	0
Connecticut	2.5	76
Middle Atlantic		
New York	-3.7	-680
New Jersey	2.7	196
Pennsylvania	.6	73
East North Central		
Ohio	1.4	145
Indiana	5.7	296
Illinois	2.7	304
Michigan	4.3	383
Wisconsin	6.5	287
West North Central		
Minnesota	7.2	272
Iowa	3.2	89
Missouri	5.1	240
North Dakota	5.7	35
South Dakota	3.6	24
Nebraska	5.9	87
Kansas	5.2	116
South Atlantic		
Delaware	8.6	47
Maryland	7.5	294
District of Columbia	-15.7	-119
Virginia	15.0	698
West Virginia	11.8	206
North Carolina	15.6	792
South Carolina	20.4	528
Georgia	19.0	874
Florida	43.5	2951

TABLE 2.3 CONTINUED

Region/State	Percentage Change 1970 to 1980	Actual Population 1970 to 1980 (in thousands)
East South Central		
Kentucky	13.7	442
Tennessee	17.0	667
Alabama	13.0	446
Mississippi	13.7	304
West South Central		
Arkansas	18.9	363
Louisiana	15.5	563
Oklahoma	18.2	466
Texas	27.1	3031
Mountain		
Montana	13.4	93
Idaho	32.4	231
Wyoming	41.9	139
Colorado	30.9	682
New Mexico	28.0	284
Arizona	53.5	947
Utah	38.0	402
Nevada	63.4	310
Pacific		
Washington	21.1	721
Oregon	25.9	542
California	18.6	3716
Alaska	33.3	100
Hawaii	25.5	196
U. S. Total	11.5	23,293

Source: U. S. Bureau of the Census, 1980 Census of Population: Supplementary Reports, Series PC80-51, Number 1, May 1981.

greatest internal variation in growth rates was New England: Population growth ranged from 0% in Rhode Island to 24.8% in New Hampshire. In the Middle Atlantic region the population of New Jersey grew by 2.7% while New York declined by 3.7%. In the East North Central region the growth rates ranged from 1.4% (Ohio) to 6.5% (Wisconsin). In the South Atlantic region the state growth rates varied from 8.6% in Delaware to 43.5% in Florida.

The demographic pattern in the United States is not one in which total population in some regions is falling because of vast migrations to other regions. Unfortunately, such an alarming picture is implied in some discussions of regional growth problems. The fact is that over the period 1960 through 1980 every state in the United States registered population gains. Over the period 1970 through 1980 every state but one registered population gains. The one exception was New York state which lost 3.7% of its population during the decade. In absolute numbers the loss to New York was 680,000 persons.

Comparisons between regions based on percentage growth rates can be misleading when the areas being compared have greatly differing base populations. For example, the East North Central region (Ohio, Indiana, Illinois, Michigan, and Wisconsin) experienced a 1970-1980 population increase of only 3.5% while the East South Central region (Kentucky, Tennessee, Alabama, and Mississippi) experienced an increase of 14.5%. The four-fold

difference between these growth rates creates the impression of a large realignment of population concentrations during the decade of the seventies. That impression would be correct if both regions had begun the decade with similar populations. They did not. In 1970 the population of the East North Central states was 40,252,000, or 19.8% of the total United States population. The population of the East South Central states in 1970 was only 12,803,000, or 6.3% of total United States population. Because of the different sizes of the initial population bases, the 3.5% growth rate in the East North Central region and the 14.5% growth rate in the East South Central region resulted in almost identical absolute population increase. The population of the "slow" growing East North Central region increased by 1,418,000 during the nineteen seventies. The population of the "fast" growing East South Central region grew by 1,860,000 during the decade.[10]

Simple comparison of state or regional population growth rates is a poor guide to national demographic trends. A better guide is distribution of population. Table 2.4 shows the relative distribution of population across United States census regions for the years 1960, 1970, and 1980. The data show a clear trend of redistribution of the United States population from the northeastern regions toward the southern and western regions, but the trend is neither precipitate nor alarming. The percentage of the total United States population living in the East North Central

TABLE 2.4

COMPARISON OF DISTRIBUTION OF U. S. POPULATION BY CENSUS REGIONS 1960, 1970, 1980

Region	Percent of Total U. S. Population 1960	1970	1980
New England	5.7	5.8	5.5
Middle Atlantic	19.1	18.3	16.2
East North Central	20.2	19.8	18.4
West North Central	8.6	8.0	7.6
South Atlantic	14.5	15.1	16.3
East South Central	6.7	6.3	6.5
West South Central	9.5	9.5	10.5
Mountain	3.8	4.1	5.0
Pacific	11.8	13.1	14.0

Source: U. S. Bureau of the Census, 1980 Census Population Supplementary Reports. Series PC80-81, and U. S. Bureau of the Census, Statistical Abstract of the United States: 1980.

region fell from 20.2% in 1960 to 18.4% in 1980. The share of United States population living in the very fast growing South Atantic region rose from 14.5% in 1960 to 16.3% in 1980. The changes for all other regions were similarly gradual.[11]

The redistribution of population evident in recent years is part of a long-term historical trend in the United States. The redistribution of relative population shares among regions is to be expected as less densely populated regions expand toward their long run population and economic potential. The United States remains a nation of great differences in regional population densities. Table 2.5 shows average population per square mile in 1970 for the nine United States census regions. The range is from 670.8 persons per square mile in the Middle Atlantic states to 9.7 persons per square mile in the Mountain states. The fastest rates of population growth have been in the regions with relatively lower population density. The more densely populated regions of the Northeast have grown somewhat more slowly. This accounts for the gradual shift in relative population totals.

The shifts in relative population across United States census regions are sometimes identified with relative trends in economic well-being for the various regions. In particular, recent articles in National Journal and elsewhere have tended to associate declining relative share of population with loss of jobs and economic decline for the Northeast regions.[12] A declining relative

TABLE 2.5

ESTIMATED AVERAGE POPULATION
DENSITIES FOR U. S. CENSUS REGIONS, 1970

Region	Average Population Per Square Mile
New England	188.1
Middle Atlantic	670.8
East North Central	164.9
West North Central	32.1
South Atlantic	114.9
East South Central	71.5
West South Central	45.2
Mountain	9.7
Pacific	29.7

Source: U. S. Bureau of the Census, Statistical Abstract of the United States: 1980.

population share does not necessarily mean the same thing in terms of economic effects as an absolute decline in the population total.

Growth of total employment is a useful demographic indicator of the economic status of a region. Falling employment is a symptom of economic decline and poverty. Rising employment, especially if employment is rising faster than population, is indicative of economic expansion and prosperity. Table 2.6 shows total employment for each state and census region in the United States for 1970 and 1979. For every state, total employment grew during the decade. Even New York, which was the only state to experience an absolute decline in population, experienced a small gain in total jobs during the period 1970-1979.

While total employment in the New England, Middle Atlantic and East North Central regions increased during the period 1970-1979, there were significant changes in the pattern of employment in these regions. Total manufacturing employment fell in the northeastern states during the nineteen seventies.[13] The contraction or closing of traditional manufacturing industries has been a source of acute economic disruption for some local communities, but for every state in the Northeast the expansion of job opportunities in the service, trade, financial and government sectors more than offset the fall in manufacturing jobs.[14] Table 2.7 shows that despite recent falls in manufacturing employment,

TABLE 2.6

TOTAL NONAGRICULTURAL EMPLOYMENT BY CENSUS REGIONS AND STATES 1970, 1979
(in thousands)

Region/State	1970 Employment	1979 Employment
New England	4,544	5,390
Maine	332	416
New Hampshire	260	377
Vermont	148	197
Massachusetts	2,262	2,599
Rhode Island	344	400
Connecticut	1,198	1,401
Middle Atlantic	14,144	15,038
New York	7,156	7,175
New Jersey	2,606	3,032
Pennsylvania	4,352	4,831
East North Central	N.A.	17,211
Ohio	3,881	4,495
Indiana	1,849	2,260
Illinois	4,346	4,865
Michigan	N.A.	3,628
Wisconsin	1,530	1,965
West North Central	5,368	6,960
Minnesota	1,315	1,771
Iowa	883	1,128
Missouri	1,668	2,003
North Dakota	164	244
South Dakota	175	240
Nebraska	484	627
Kansas	679	947
South Atlantic	10,504	14,287
Delaware	217	256
Maryland	1,349	1,620
District of Columbia	567	618
Virginia	1,519	2,098
West Virginia	517	646
North Carolina	1,783	2,377
South Carolina	842	1,178
Georgia	1,558	2,114
Florida	2,152	3,380

TABLE 2.6 CONTINUED

Region/State	1970 Employment	1979 Employment
East South Central	3,833	5,232
Kentucky	910	1,245
Tennessee	1,328	1,785
Alabama	1,011	1,363
Mississippi	584	839
West South Central	5,958	8,940
Arkansas	536	750
Louisiana	1,034	1,498
Oklahoma	763	1,089
Texas	3,625	5,603
Mountain	2,667	4,412
Montana	199	285
Idaho	208	337
Wyoming	108	203
Colorado	750	1,217
New Mexico	293	462
Arizona	547	971
Utah	359	554
Nevada	203	383
Pacific	9,123	12,830
Washington	1,079	1,576
California	6,946	9,638
Alaska	93	168
Hawaii	294	397

Source: U. S. Bureau of the Census, Statistical Abstract of the United States: 1980, Table 691.

TABLE 2.7

RELATION OF MANUFACTURING EMPLOYMENT
TO TOTAL NONAGRICULTURAL EMPLOYMENT: 1979

Region	Manufacturing Employment at Percentage of Total Non-Ag. Employment
New England	28.2
Middle Atlantic	24.5
East North Central	29.8
West North Central	20.7
South Atlantic	21.4
East South Central	27.4
West South Central	18.3
Mountain	12.7
Pacific	20.0
U. S. Total	23.0

Source: U. S. Bureau of Labor Statistics, Employment and Earnings.

such jobs accounted for a larger proportion of total 1979 employment in New England and East North Central states than in any other region.

The economic problem facing the Northeast is not an absolute decline in jobs, but rather a problem of adjusting to relative shifts in employment from traditional manufacturing industries to the service industries and knowledge-based industries which will dominate the American economy in the future. The relative shift in employment out of manufacturing is a nationwide trend. It is most noticeable in the economically mature areas such as the Northeast. The southern regions and some western states continue to show significant growth in manufacturing employment because these regions are still catching up to the level of economic development already achieved elsewhere in the country. The percentage of employment in manufacturing in the Sunbelt may peak and begin declining by the end of the century.

Some reports concerning national trends in population and employment have emphasized the image of firms closing operations in the Northeast "moving" to the South and West. Such images convey the false notion that expansion of employment in the southern and western states is directly linked to employment loses in the northeastern states. A study by Peter Allaman and David Birch, covering 1970-1972 data, showed that in the northeastern industrial states 98.5% of total job losses were because of the contraction or

death of a firm.[15] Only 1.5% of job losses were because of migration of firms to other states. The same study showed that only 1.2% of new jobs in states of the Sunbelt South were because of in-migration of firms. The majority of new jobs resulted from the expansion of firms already located in the region.

United States population trends during the past twenty years have shown strong growth in population in the Sunbelt regions of the South and West. While all regions showed some population growth during the period, the higher growth rates of the Sunbelt states have resulted in an increase in the percentage of United States population living the the southern and western regions. While the shift in relative population is significant, it does not appear to be of such proportions as to be the cause of any economic crisis in the traditionally industrial northern and northeastern states. There does not appear to be any reason to expect that current demographic trends should be inconsistent with simultaneous prosperity in all regions of the United States.

Section Three: Indicators of Economic Well-Being

The most directly applicable and widely available indicator of economic well-being for states and regions within the United States is personal income. In this section I will examine recent trends of personal income growth in the United States in order to develop a picture of comparative economic well-being among the states. I will also examine other indicators of economic well-being, including unemployment, poverty level population, and employment/population ratios.

Personal income is defined as the sum of all wages, rents, interest dividends, and transfer payments received by individuals in a nation or region.[16] It is a measure of the total annual flow of economic value available for use by persons to finance consumption, savings, and tax payments. Per capita personal income is total personal income divided by total population. Per capita personal income is a direct, readily available, and easy to understand indicator of economic well-being.

The United States Department of Commerce produces annual per capita personal income estimates for the nation, for each state, and for major political subdivisions within each state.[17] Table 3.1 shows 1980 per capita personal income for each state and region in absolute amount and as a percentage of the national average. The regional groupings used in Table 3.1 and subsequent tables of income data are based on the scheme used by United States

TABLE 3.1

1980 PER CAPITA PERSONAL INCOME
FOR STATES AND REGIONS

State	Amount	Percent of National Average
New England	9,929	105
Connecticut	11,445	121
Massachusetts	9,992	106
Rhode Island	9,250	98
New Hampshire	8,980	95
Vermont	7,839	83
Maine	7,734	82
Mideast	10,056	106
District of Columbia	11,883	126
New Jersey	10,755	114
Maryland	10,322	109
Delaware	10,195	108
New York	10,143	107
Pennsylvania	9,294	98
Great Lakes	9,771	103
Illinois	10,658	113
Michigan	9,847	104
Ohio	9,398	99
Wisconsin	9,254	98
Indiana	8,978	95
Plains	9,154	97
Kansas	9,958	105
Minnesota	9,519	101
Iowa	9,178	97
Nebraska	8,914	94
Missouri	8,846	94
North Dakota	8,556	90
South Dakota	7,452	79
Southeast	8,116	86
Virginia	9,435	100
Florida	8,987	95
Louisiana	8,282	88

TABLE 3.1 CONTINUED

State	Amount	Percent of National Average
Southeast		
Georgia	8,000	85
North Carolina	7,852	83
West Virginia	7,831	83
Tennessee	7,786	82
Kentucky	7,718	82
South Carolina	7,519	79
Alabama	7,484	79
Arkansas	7,180	76
Mississippi	6,508	69
Southwest	9,246	98
Texas	9,513	101
Oklahoma	9,081	96
Arizona	8,649	91
New Mexico	7,956	84
Rocky Mountain	9,015	95
Wyoming	10,692	113
Colorado	9,964	105
Montana	8,445	89
Idaho	8,126	86
Utah	7,485	79
Far West	10,658	113
California	10,856	115
Nevada	10,458	111
Washington	10,363	110
Oregon	9,400	99
Alaska	12,406	131
Hawaii	9,787	103
U. S. Average	9,458	

Source: U. S. Department of Commerce, Bureau of Economic Analysis Report, April 1981.

Department of Commerce, Bureau of Economic Analysis (BEA), which produces the income estimates. The BEA groupings differ slightly from the census regions defined by the United States Bureau of Census.

As shown in Table 3.1, there are wide variations in per capita personal income across the states and these differences do follow distinctly regional patterns. The lowest per capita personal income amounts are found in Mississippi ($6,508) and Arkansas ($7,180); the highest amounts are found in Alaska ($12,406) and Connecticut ($11,445). As a percentage of the national average per capita personal income the individual state amounts ranged from 69% to 131%.

Several factors can be cited as possibly mitigating the extreme variations in per capita income. These mitigating factors are price level differences, considerations of income distribution, and differences in state taxes.

Much available data does suggest that there are noticeable differences in price levels between states. States with per capita personal income significantly below the national average also have price levels below the national average, but the lower price levels only partially offset the deficit in per capita income.[18] In no case does it appear that adjustment of income data to account for price differences would remove more than one-third of the difference between the national average per capita personal income

and a lower state per capita personal income amount. The relationship between per capita income and price level is not symmetrical. In states having above average per capita personal income, price levels are not proportionately above average. The relationship between income and price level is becoming less significant over time. During the past forty years there has been a clear trend of price levels in the low income states moving closer to the national price level.[19]

Income distribution also affects the interpretation of per capita income differences between states. The usual implication that the typical citizen of a high per capita income state is in an economically preferable position to the citizen of a low per capita income state that might be contradicted if it were the case that income were more equally distributed in the low income state than in the high income state. There are no data indicating that such a consideration is applicable to any comparisons of economic well-being between states.

The final consideration to add to the interpretation of per capita income differences is the variation in state tax burdens. There are significant differences in the levels of state and local taxation across the United States. On a per capita basis state and local tax totals in 1979 ranged from $595 in Arkansas to $1,370 in New York and $2,546 in Alaska. Because of the great differences in taxes between states, some analysts argue that per capita personal

income is not a good economic variable for making interstate comparisons of economic well-being. The alternate measure of per capita disposable income has been suggested.[20] Per capita disposable income is defined as per capita personal income minus per capita taxes. The states having highest per capita personal income also tend to have the highest per capita taxes, while the states having low per capita personal income tend to have low per capita taxes. A comparison of economic well-being based on per capita disposable income makes the difference between the highest and lowest states much smaller than is shown by a comparison of per capita personal income.

The argument for using disposable income seems superficially plausible, but from the economic perspective the disposable income comparison contains a seriously deceptive flaw: It hides significant differences in the economic well-being of citizens of different states. The state and local taxes which an individual pays do not disappear from the economic scene. State and local taxes are used to purchase goods and services for the community, and from these purchases the typical citizen derives personal benefit. In a state in which per capita taxes are high, the typical citizen enjoys relatively more community services--better schools, parks, roads, utilities--than the typical citizen of a state having low per capita taxes. These elements of community consumption are as valid a component of economic well-being as is

private consumption. Per capita disposable income ignores interstate differences in community consumption activities which contribute to individual well-being. Therefore, per capita personal income, being a more comprehensive measure, is the better indicator of overall differences in economic well-being between states.

Table 3.2 summarizes recent trends in per capita personal income on a regional basis.[21] In 1980 differences between regions were significantly narrower than in 1970. The southwestern states' (Texas, Oklahoma, Arizona, and New Mexico) average per capita personal income improved more than any other region, jumping from 89% of the national amount to 98%. Other regions improving in relative position were the Far West, Plains, Rocky Mountain, and Southeast regions. All of these regions experienced 1970-1980 average annual growth of per capita personal income in excess of the national annual growth rate (14.3%). The Mideast, New England, and Great Lakes regions experienced average annual growth rates of per capita personal income below the national average for the years 1970-1980. However, in no case was the regional growth rate more than one and a half percentage points below the national average. The overall range of regional average growth rates of per capita personal income is remarkably narrow. The lowest average annual growth rate was 12.9% for the Mideast region (New Jersey, Maryland, Delaware, New York, Pennsylvania, and District of Columbia); the

TABLE 3.2

REGIONAL PER CAPITA PERSONAL INCOME TRENDS

Region	1970 Per Capita Personal Income as Percent of National Average	1980 Per Capita Personal Income as Percent of National Average	Average Annual Growth of Per Capita Personal Income 1970-1980
Far West	113%	111%	14.7%
Mideast	106%	113%	12.9%
New England	105%	109%	13.4%
Great Lakes	103%	104%	14.1%
Southwest	98%	89%	16.7%
Plains	97%	94%	15.0%
Rocky Mountain	95%	91%	15.5%
Southeast	86%	82%	15.3%
U. S. Average			14.3%

Source: U. S. Department of Commerce, Bureau of Economic Analysis.

highest average annual growth rate was 16.7% for the Southwest region (Texas, Oklahoma, Arizona, and New Mexico). For every region and for every state in every region the 1970-1980 growth of per capita personal income exceeded the 1970-1980 inflation rate, meaning that every state experienced an increase in the real value of per capita personal income.

Table 3.2 shows that for the three regions having growth rates below the national average per capita personal income as a percent of national per capita personal income fell from 1970 to 1980. Most notably, the Mideast region fell from first place in per capita personal income with 113% of the national average in 1970 to second place with 106% of the national average per capita personal income in 1980. Some studies have associated such changes in measures of relative ranking with the notion of serious economic decline occurring in the northern industrial regions (the so-called Frostbelt). Previously cited articles in National Journal[22] and in Time Magazine[23] have attempted to play up the idea that the economic growth patterns of the past decade amount to a serious conflict between the Frostbelt and Sunbelt regions.

The idea of a Frostbelt versus Sunbelt economic conflict is based on the false premise that economic growth is a zero-sum game in which any region's economic gain is necessarily at the expense of some other region. The economic facts indicate otherwise. The entire United States, including every region, has experienced real

economic growth during the past decade. This is most clearly indicated by the per capita income data.

For example, per capita personal income in New York in 1970 was 118% of the national average; in 1980 per capita personal income in New York was only 107% of the national average. This decrease in the relative ranking does not indicate any real economic decline or crisis for New York because the amount of per capita personal income in New York rose by 120.3% during the decade. The average New York citizen enjoyed a higher per capita personal income in 1980 than in 1970.[24] The increase of per capita personal income is a sign of economic growth not economic decline. The change in the relative ranking for New York occurred because the national average of per capita personal income went up reflecting the narrowing of the gap between rich and poor states across the nation. Poorer states have been catching-up to the level of income already enjoyed in New York. Such a change cannot be interpreted as injurious to the economic welfare of the average New Yorker.

While regional totals for per capita personal income provide a useful summary of general economic trends, they also mask important variations within regions. Within New England 1980 per capita personal income amounts range from 121% of the national average in Connecticut to 82% of the national average in Maine. The per capita personal income in Maine is equivalent to the average per

capita personal income of the southeastern states. Significant variations in per capita personal income occur among the states of each region, but such variations are most extreme in the Southeast region.

The Southeast region states in the BEA classification are Virginia, Florida, Louisiana, Georgia, North Carolina, West Virginia, Tennessee, Kentucky, South Carolina, Alabama, Arkansas, and Mississippi. These states constitute a major portion of the region popularly referred to as the Sunbelt. The economic expansion and industrialization of this region has attracted much national attention during the past decade. For the region as a whole growth in per capita personal income averaged 15.3% annually during the past decade. This was the third highest growth rate among regions in the United States. Despite the high growth rate, regional per capita personal income in 1980 remained the lowest in the United States at 86% of the national average.

Per capita personal income ranged from 69% of the national average in Mississippi to 100% of the national average in Virginia. Regional composite data creates a misleading picture of economic growth in the Southeast and other Sunbelt regions. The surge of economic growth and improvement of economic well-being in the Sunbelt regions has not had a uniform impact on all the states in the area. The focal points of growth have been in Texas, Florida, Louisiana and Virginia. States like Mississippi, Arkansas, and

Alabama have experienced some improvement, but remain far behind the nation in terms of personal income and other measures of economic performance.

The differences in state per capita personal income amounts that are evident today are likely to remain significant far into the future. While regional averages for per capita personal income appear to be converging, estimates compiled by the United States Department of Commerce show significant differences in individual state per capita income amounts remaining well into the next century.[25] Table 3.3 shows estimates for per capita personal income as a percent of the national average for each state for the period 1990-2020. The Commerce Department estimates show that despite Sunbelt growth the majority of Southeastern region states will remain below the national average in per capita personal income for the next thirty years or more.

Since the OBERS forecasts reported in Table 3.3 were produced in 1972, some of the results may require modification to account for unexpected economic trends during 1972-1980. Some Sunbelt states did experience faster growth during 1972-1980 than the OBERS projections assumed. To correct the deficiencies in the data shown in Table 3.3, I have prepared Table 3.4 showing revised 1990 income proportion estimates on a regional basis. The regions are defined by the Bureau of Economic Analysis scheme of classifying states, the same classification used in Table 3.1. The 1990 estimates of

TABLE 3.3

PROJECTIONS OF PER CAPITA PERSONAL INCOME AS
A PERCENTAGE OF THE NATIONAL AVERAGE
1990-2020

State	Estimated				State	Estimated			
	1990	2000	2010	2020		1990	2000	2010	2020
Alabama	79	81	84	85	Montana	88	89	90	92
Alaska	119	120	120	120	Nebraska	94	95	96	98
Arizona	83	86	89	92	Nevada	105	105	104	103
Arkansas	75	78	80	82	New Hampshire	95	97	98	100
California	111	110	109	108	New Jersey	114	113	112	111
Colorado	96	97	97	98	New Mexico	84	86	89	92
Connecticut	115	114	112	111	New York	116	113	111	109
Delaware	109	108	108	107	North Carolina	85	86	88	89
Florida	88	89	89	90	North Dakota	85	85	86	88
Georgia	87	89	90	92	Ohio	101	101	100	100
Hawaii	103	108	108	107	Oklahoma	87	88	89	90
Idaho	81	83	84	86	Oregon	94	95	96	97
Illinois	114	113	112	111	Pennsylvania	99	99	100	100
Indiana	99	99	99	100	Rhode Island	100	100	100	100
Iowa	94	94	95	96	South Carolina	81	82	84	86
Kansas	100	99	100	100	South Dakota	84	84	85	87
Kentucky	83	85	87	88	Tennessee	84	86	88	90
Louisiana	83	84	86	89	Texas	90	91	92	93
Maine	85	86	88	89	Utah	85	87	88	89
Maryland	109	108	106	105	Vermont	90	91	92	93
Mass.	106	104	103	101	Virginia	95	96	96	97
Michigan	106	105	105	104	Washington	105	104	104	104
Minnesota	99	100	100	101	West Virginia	80	81	83	84
Mississippi	72	74	77	80	Wisconsin	97	97	98	98
Missouri	97	97	97	98	Wyoming	90	90	90	91

Source: U. S. Department of Commerce, OBERS Projections of Population and Income, 1972.

TABLE 3.4

REGIONAL PER CAPITA PERSONAL INCOME AS PERCENT OF NATIONAL AVERAGE: 1980 ACTUAL AND 1990 ESTIMATE

Region	1980	1990
Far West	113	116
Mideast	106	96
New England	105	98
Great Lakes	103	102
Southwest	98	115
Plains	97	102
Rocky Mountain	95	103
Southeast	86	92

Source: Author's computation based on U. S. Department of Commerce historical data.

regional income proportions were derived by linear extrapolations of the 1970-1980 trends of population and total personal income for the states in each region. The linear estimates show a continued narrowing of income differences.

Because of high growth rates in the West, the national average per capita income is forecast to move ahead of per capita income in the Mideast and New England states. The income in the Mideast and New England states may be below 100% of the national average in 1990, but the change will be relative, not absolute. No real decline in the economic well-being of any region is forecast.

According to Table 3.4, the Southeast region will remain at only 92% of the national average per capita income in 1990. Even assuming the continuation of the high growth rates of the 1970-1980 period, per capita income in the Southeast in 1990 will remain the lowest in the nation. If the fast-growing states of Virginia and Florida were removed from the Southeast data, the 1990 income deficiency in the region would be even greater.

Other measures of economic well-being reinforce the implication of per capita income data: Many states in the South and West remain below the nation as a whole and significantly below the states of the northern industrial tier in terms of economic development and prosperity despite the recent growth associated with the Sunbelt expansion of the nineteen seventies. These additional measures of economic well-being include poverty level population and employment/population ratio.

Table 3.5 shows percent of population living below the official poverty line in 1975 for four regional groups.[26] The Northeast, North Central and West regions each had poverty populations less than the national average (11.4%). The lowest relative concentration of poverty population was in the Northeast region where only 8.9% of the population lived below the poverty level. The states included in the Northeast composite are: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, and Pennsylvania. The South had the highest relative poverty concentration with 15.3% of the total population living below the poverty line. Forty-three percent of all persons living below the official poverty level were residing in southern region states. Recent improvements in the economic performance of the Sunbelt states may have alleviated some of the poverty of the region, but that poverty remains far from being eliminated.

The southern states from Virginia and West Virginia to Texas still comprise the area of greatest poverty concentration in the United States.

A final measure of economic well-being is the ratio of employment to total population. Table 3.6 shows the ratio of employment to total population for major regions during the period 1976-1979.[27] If a region was experiencing economic decline, one would expect to find the employment/population ratio to be declining. The data in Table 3.6 shows that for every region the

TABLE 3.5

POPULATION LIVING BELOW THE
OFFICIAL POVERTY LEVEL, 1975

Area	Actual Number	Percent of Population
United States	23,991	11.4%
North East	4,336	8.9%
North Central	5,336	9.4%
South	10,406	15.3%
West	3,912	10.4%

Source: U. S. Department of Commerce, Statistical Abstract of the United States: 1980.

TABLE 3.6

EMPLOYMENT/POPULATION RATIO BY REGIONS

	1976	1978	1979
United States	56.8	59.4	60.0
New England	58.5	61.1	62.3
Middle Atlantic	53.2	55.5	56.6
East North Central	58.2	60.6	60.9
West North Central	60.6	63.3	63.8
South Atlantic	57.3	59.2	59.4
East South Central	55.2	56.9	56.7
West South Central	57.4	59.5	60.4
Mountain	59.0	61.1	62.1
Pacific	57.0	60.5	61.3

Source: U. S. Department of Commerce, Statistical Abstract of the United States: 1980.

reverse was true. Over the period 1976-1979 the employment/population ratio rose for every region. The rising ratio indicates that employment opportunities were growing faster than population. This trend is a sign of economic health for a region. The employment/population ratio data for each state (not shown in the table) revealed the same trend as the regional data. Every state except Hawaii registered an increase in the employment/population ratio. The nationwide increases in employment/population ratios supports the position that economic growth is not a zero sum game and that improvement in the relative economic performance of one region does not imply a decline in economic performance for any other region.

While the South and West have experienced above average improvement in per capita personal income during the past decade, the economic growth has not been uniformly distributed among the states in the region. The disparities in per capita personal income among southern states have actually widened during the past decade. Growth in the states of the northern industrial tier has been somewhat slower, but the growth in that region has clearly been positive. In no way can the economic experience of the northern region during the past decade be characterized by terms such as "decline" or "crisis." The use of such terms in some recent reports of economic trends is an example of gross misinterpretation of changes in measures of relative position. The

northern industrial states continue to lead the nation in terms of per capita personal income and other measures of economic well-being. Even with the higher growth trend in the Sunbelt states, the leading position of the northern states is expected to remain secure into the next century.

Section Four: Economic Trends and the Flow of Federal Funds

In connection with increasing public awareness of the changing regional trends in economic growth and wealth concentration, there has developed widespread interest in the impact of regional federal spending patterns. The distribution of federal spending among the states surfaced as a controversial issue with the publication in 1976 of a National Journal report entitled "Federal Spending: The North's Loss Is the Sunbelt's Gain."[28] This report utilized the concept of a federal spending/taxes ratio to argue that the federal budget resulted in a massive flow of wealth from the northeastern states to the southern and western states.

The federal spending/taxes ratio compares per capita federal spending in each state to per capita federal taxes collected in each state. The 1976 National Journal report argued that the excess spending over tax collections in the Sunbelt states was a contributing factor to the high economic growth rates in those states. Conversely, it was argued that the industrial Northeast was in a state of economic decline. An unfavorable balance of federal spending to taxes was held partly to blame for the supposed economic woes of the Frostbelt states. The report recommended that federal policy in the future divert spending from the Sunbelt states and toward the Frostbelt states. Other articles and studies since have argued for similar policies.[29]

All aspects of federal spending have been the subject of

recommendations for Frostbelt favoring actions. For example, it has been recommended that defense contracts be awarded on the basis of a regional equity policy. More than any other federal program category, attention has focused on formula grants programs. These programs channel federal money to state and local governments on the basis of mathematical formulae. Most formulae are based on some combination of population and economic variable such as unemployment, per capita income, or poverty households. Advocates of policies to shift federal spending toward the northern industrial states have argued to eliminate from grant formulae economic variables such as per capita income which tend to favor the Sunbelt states.

Table 4.1 shows the distribution of federal per capita spending, taxes, and the spending/tax for each state and region in 1979. The data, as presented in the table, do seem to support the notion of an uneven pattern of spending and tax collections. In the Northeast region, federal spending is only ninety-four cents for every dollar in taxes collected in the region; in the South, spending is $1.12 for every dollar of taxes collected; and in the West, spending is $1.06 for every dollar collected in taxes. However, the regional bias of federal spending may be more apparent than real. Several related problems need to be examined before relying on such regional comparison data as the basis for altering federal spending policy. These problems include intra-regional

TABLE 4.1

FEDERAL TAXES AND SPENDING PER CAPITA
BY STATES AND REGIONS, 1979

	Fiscal 1979		
	Spending Per Person	Taxes Per Person	Spending Taxes Ratio
Northeast	2,058	2,200	0.94
New England	2,339	2,145	1.09
Maine	2,063	1,560	1.32
New Hampshire	1,879	2,034	0.92
Vermont	1,862	1,595	1.17
Massachusetts	2,377	2,100	1.13
Rhode Island	2,074	1,991	1.04
Connecticut	2,654	2,598	1.02
Mid-Atlantic	1,964	2,219	0.88
New York	2,103	2,201	0.96
New Jersey	1,722	2,485	0.71
Pennsylvania	1,905	2,078	0.92
Midwest	1,738	2,202	0.79
Great Lakes	1,609	2,275	0.71
Ohio	1,545	2,172	0.71
Indiana	1,469	2,098	0.70
Illinois	1,851	2,537	0.73
Michigan	1,556	2,346	0.66
Wisonsin	1,448	1,950	0.74
Great Plains	2,048	2,023	0.01
Minnesota	1,801	2,119	0.85
Iowa	1,602	2,104	0.76
Missouri	2,450	1,958	1.25
Kansas	1,997	2,089	0.96
Nebraska	2,103	1,998	1.05
South Dakota	2,249	1,611	1.40
North Dakota	2,405	1,830	1.31
South	2,090	1,864	1.12
South Atlantic	2,188	1,908	1.15
Delaware	1,768	2,384	0.74
Maryland	2,808	2,375	1.18
Virginia	2,901	2,056	1.14
West Virginia	1,887	1,699	1.11
North Carolina	1,612	1,658	0.97
South Carolina	1,834	1,577	1.16
Georgia	1,901	1,708	1.11
Florida	2,217	1,999	1.11

TABLE 4.1 CONTINUED

	Fiscal 1979		
	Spending Per Person	Taxes Per Person	Spending Taxes Ratio
South Central	1,997	1,822	1.10
Kentucky	1,872	1,678	1.12
Tennessee	2,378	1,711	1.39
Alabama	1,968	1,595	1.23
Mississippi	2,073	1,314	1.58
Louisiana	1,866	1,773	1.05
Arkansas	1,815	1,464	1.24
Oklahoma	2,037	1,871	1.09
Texas	1,960	2,116	0.93
West	2,348	2,240	1.05
Mountain	2,315	1,928	1.20
Montana	2,231	1,883	1.19
Idaho	2,031	1,686	1.20
Wyoming	2,119	2,364	0.90
Colorado	2,240	2,119	1.06
Utah	2,084	1,624	1.28
Nevada	2,383	2,570	0.93
Arizona	2,261	1,869	1.21
New Mexico	3,138	1,640	1.91
Pacific	2,359	2,350	1.00
California	2,315	2,366	0.98
Oregon	1,911	2,178	0.88
Washington	2,527	2,297	1.10
Alaska	4,759	3,304	1.44
Hawaii	2,906	2,224	1.30
Washington, D. C.	23,529	2,101	1.00
Total United States	2,101	2,101	1.00

Source: Joel Havemann and Rochelle C. Stanfield, "Neutral Federal Policies are Reducing Frostbelt-Sunbelt Spending Imbalances," National Journal, February 7, 1981, p. 234.

variations, localization of spending, and localization of tax payments.

A careful examination of the individual state spending/tax ratios in Table 4.1 reveals that there are greater imbalances in federal spending versus taxes within each region than the imbalances between the regions as a whole. While the Northeast composite data show more per capita taxes than spending, five of the nine states in the region actually experienced flows in the opposite direction: more per capita spending than taxes. In the South, the fastest growing state, Texas, experienced a spending/taxes ratio smaller than the northeastern states' ratio. In Texas, federal spending was only ninety-three cents for every dollar of taxes.

The data showing the distribution of federal spending per capita among the states are misleading for two reasons. First, they do not take into account the difference between federal spending for local benefit and federal spending for national benefit. Defense spending is the classic example of a national benefit program. A million dollars spent in Florida to maintain fighter aircraft is counted in Table 4.1 as federal spending in Florida, but the air defenses maintained there are not just for the benefit of Florida. They protect New York equally and simultaneously.

The second reason that data showing federal spending in states are misleading is that they overlook the economic links between

states. A dollar of federal spending in Wyoming may indirectly benefit the economy of Pennsylvania more than it does the economy of Wyoming. Such indirect impacts are particularly likely for programs that involve construction of facilities or the acquisition of equipment. Programs in the defense and space technology areas are obvious examples of spending with widespread economic impacts.

Table 4.1 shows that federal tax collections per capita are higher in the Northeast than in the South. The difference partly reflects the relative poverty of the South, but it also involves a flaw in the spending/taxes ratio data that has been used to generate the Frostbelt-Sunbelt debate over federal spending. Taxes per capita are not the same as personal income taxes. The similar terminology is frequently confusing to knowledgeable people. The taxes per capita amounts for each state and region shown in Table 4.1 are total federal taxes collected in the states divided by state population. The federal taxes included corporate income taxes, tariffs on imports, and excise taxes in addition to personal income taxes. The corporate income tax is a particularly important item. Corporate taxes are typically reported in the state of the corporate headquarters or main financial office, even though these taxes are derived from income and economic activity that occurred in other states. Since corporate headquarters offices are concentrated in the northeastern states, the reporting of corporate income taxes exaggerates the per capita tax collections of the

Northeast region. A significant portion of the federal corporate income taxes collected in those states does not represent a real tax burden on the people of those states since it is derived from goods produced and sold elsewhere.

Instead of examining total federal expenditure by state, it might be more useful to focus on one important part of federal spending: Federal grants and transfers to state and local government units. This category of federal spending is most typically for local rather than national benefit and the economic impacts of this type of federal expenditure are more likely to be limited to the local area. Table 4.2 shows total and per capita amounts for revenue of state and local government units originating from federal sources in 1979.[30] Table 4.2 lists the data by state. Table 4.3 shows the regional subtotals for the same data, based on the United States Census Bureau scheme of regional groupings. State and local government units in the New England and Middle Atlantic regions were above the national average ($341) for per capita federal expenditure of this type. Forty-eight percent of all federal expenditure flowing to state and local governments in 1979 went to states in the northern and northeastern regions, the so-called Frostbelt.

There seem to be no firm data to support the allegation of a Sunbelt bias in federal spending. The data showing such a bias through spending/taxation ratios evaporates when considerations of

TABLE 4.2

REVENUE OF STATE AND LOCAL GOVERNMENT UNITS
ORIGINATING FROM FEDERAL SOURCES, 1979

	Amount ($ Millions)	Per Capita ($)
Total	75,163.8	341
New England		
Maine	448.7	409
New Hampshire	265.7	300
Vermont	222.3	451
Massachusetts	2,581.0	447
Rhode Island	387.0	417
Connecticut	934.2	300
Middle Atlantic		
New York	8,094.9	459
New Jersey	2,146.8	293
Pennsylvania	3,464.5	295
East North Central		
Ohio	2,961.7	276
Indiana	1,257.6	233
Illinois	3,464.8	309
Michigan	3,399.8	369
Wisconsin	1,603.9	340
West North Central		
Minnesota	1,427.2	352
Iowa	799.2	275
Missouri	1,377.2	283
North Dakota	242.6	369
South Dakota	268.5	390
Nebraska	437.8	278
Kansas	640.6	270
South Atlantic		
Delaware	258.5	444
Maryland	1,488.1	359
District of Columbia	1,011.8	1,542
Virginia	1,584.3	305
West Virginia	697.2	371
North Carolina	1,787.6	319
South Carolina	931.5	318

TABLE 4.2 CONTINUED

	Amount ($ Millions)	Per Capita ($)
Georgia	1,848.6	361
Florida	2,381.1	269
East South Central		
Kentucky	1,230.9	349
Tennessee	1,341.1	306
Alabama	1,310.7	348
Mississippi	900.6	371
West South Central		
Arkansas	764.2	351
Louisiana	1,478.1	368
Oklahoma	889.5	308
Texas	3,415.6	255
Mountain		
Montana	361.4	460
Idaho	305.6	338
Wyoming	241.7	537
Colorado	899.6	325
New Mexico	545.8	440
Arizona	715.1	292
Utah	477.0	349
Nevada	238.0	339
Pacific		
Washington	1,519.5	387
Oregon	1,090.5	432
California	8,216.3	362
Alaska	350.3	863
Hawaii	457.9	500

Source: U. S. Bureau of the Census, Government Finances in 1979, Series GF79, No. 5.

TABLE 4.3

REGIONAL TOTALS FOR STATE AND LOCAL GOVERNMENT REVENUE ORIGINATING FROM FEDERAL SOURCES, 1979

Region	Total $ Amount (Millions)	Per Capita $ Amount
New England	4838.9	394
Middle Atlantic	13706.2	373
East North Central	12687.8	300
West North Central	5193.1	303
South Atlantic	11988.7	343
East South Central	4783.3	339
West South Central	6547.1	291
Mountain	3784.2	355
Pacific	11634.5	382
U. S. Total	75163.8	

Source: U. S. Department of Commerce, Government Finances in 1978-79, GF 79.5.

national benefit programs, indirect economic impacts, and corporate tax payment practices are added to the interpretation.

The data on federal grants to states indicate that the Frostbelt states are getting a proportionate share of direct federal aid. There is no evidence of a pro-sunbelt bias in the distribution of federal grants to states and local governments.

Section Five: Three Cases Involving Education Funds

The controversy over the inter-regional equity of federal spending/taxing patterns has focused on federal formula grants programs. Specifically, proponents of policies favoring the northern industrial states argue that per capita income should be removed from the formulae governing the distribution of funds.

The argument against including per capita income in grant funding formulae is as follows: Since southern and some western states have lower per capita income levels than the northern industrial states, consideration of income differences in formulae shifts funds to the South and West that would go to northern states otherwise. The inclusion of per capita income in these formulae was adopted as policy many years ago when the poverty and economic stagnation of the South created the presumption of need for extra federal help to fund basic services. The bias of federal spending toward the low income states was seen as a stimulus for economic growth and development. Today the proponents of formula revision argue the situation is reversed: The South and West are enjoying rapid growth and prosperity while the northern industrial states are in economic decline. Therefore, policies should be adopted to shift federal grant funds away from the Sunbelt states and toward the Frostbelt states.

Formula grant programs based on population and income variables are an important part of the fiscal relationship between

the federal and state governments in the area of education. Consideration of per capita income differences as one criterion governing the distribution of education funds has revealed an implicit recognition of the important role of education as a precondition for the economic growth of underdeveloped regions. In this section, I will examine three representative federal formula grant programs and for each provide a summary of how the existing formulae, using an income adjusting factor, distributes funds among states and how elimination of the income adjustment would alter the distribution. The three programs are Vocational Education Basic Grants, Rehabilitation Act Basic Support Grants, and Library Service and Construction Act (LSCA) grants.

The Vocational Education Program provides funds to state education agencies for construction of facilities and operation of vocational training programs.[31] The total budget for the program in 1980 was approximately $475 million. The formula for determining the distribution of funds to each state combines considerations of the target population with considerations of state per capita personal income. For each state, there is calculated an allotment ratio defined as 1.00 minus one half of the ratio of the state per capita personal income to the United States average per capita personal income. For example, Mississippi had 1980 per capita income of $6,508, compared to the United States average of $9,458. The 1980 allotment ratio for Mississippi would

be

$$1 - .5 \left(\frac{6508}{9458}\right) = .66$$

However, there is a further stipulation that no state shall have an allotment ratio greater than .60 nor less than .40. Mississippi gets an allotment ratio of .60. The allotment ratio for each state is used to adjust the relative population proportions that serve as the basis for funds distribution. Fifty percent of the available funds is distributed among the states on the basis of each state's share of the United States population aged 15-19. The actual population aged 15-19 for each state is multiplied by that state's allotment ratio to obtain the computational population. Mississippi, with an allotment ratio of .6 gets to count relatively more of its 15-19 year old residents than does New York, which has an allotment ratio of .47. The next 20% of funds is distributed on the basis of each state's share (again, adjusted by allotment ratio) of the 20-24 year old population. The next 15% of funds is distributed on the basis of the 25-65 year old population (adjusted by allotment ratio) for each state. The last 15% is distributed in proportion to the distribution of the first 85% of available funds.

Table 5.1 shows the distribution of a hypothetical one million dollars according to the Vocational Education formula. It also shows the distribution which would result if per capita income allotment ratios were eliminated. In that case, the distribution would be on the basis of actual population. The table uses a

TABLE 5.1

DISTRIBUTION OF VOCATIONAL EDUCATION GRANTS TO STATES
PER MILLION DOLLARS OF PROGRAM FUNDS
(BASED ON 1980 POPULATION AND INCOME DATA)

State	With Income Adjustment	Without Income Adjustment
New England		
Maine	$ 5,765	$ 5,000
New Hampshire	4,176	4,000
Vermont	3,000	2,000
Massachusetts	24,176	26,000
Rhode Island	4,000	4,000
Connecticut	10,941	13,765
Middle Atlantic		
New York	70,706	75,529
New Jersey	27,059	31,647
Pennsylvania	51,588	51,118
East North Central		
Ohio	48,529	47,765
Indiana	26,000	24,588
Illinois	42,353	50,176
Michigan	44,706	42,412
Wisconsin	21,824	21,412
West North Central		
Minnesota	18,588	18,412
Iowa	13,000	12,824
Missouri	22,765	21,588
North Dakota	3,235	3,000
South Dakota	3,824	3,000
Nebraska	7,000	7,000
Kansas	11,235	11,471
South Atlantic		
Delaware	3,000	3,000
Maryland	17,353	18,941
Virginia	24,412	24,412
West Virginia	10,000	8,000
North Carolina	31,412	26,824
South Carolina	17,824	14,824
Georgia	28,765	24,588
Florida	41,235	38,882

TABLE 5.1 CONTINUED

State	With Income Adjustment	Without Income Adjustment
East South Central		
Kentucky	$19,588	$16,588
Tennessee	23,941	20,000
Alabama	20,765	17,588
Mississippi	14,176	11,412
West South Central		
Arkansas	11,765	9,765
Louisiana	21,647	19,647
Oklahoma	14,000	13,000
Texas	64,118	64,176
Mountain		
Montana	4,000	3,588
Idaho	4,000	5,000
Wyoming	2,000	2,000
Colorado	12,647	13,235
New Mexico	7,000	6,000
Arizona	13,235	12,000
Utah	8,059	6,824
Nevada	3,176	3,412
Pacific		
Washington	16,588	18,000
Oregon	11,353	11,176
California	90,059	104,765
Alaska	1,235	1,824
Hawaii	4,235	4,235

hypothetical one million dollar basis to emphasize the comparison of amounts between states and the comparison between the existing formula and the formula without income adjustment. Actual 1981 budget amounts would be about 500 times the amounts in Table 5.1. The actual distribution of funds would be modified by two additional considerations: (1) no state may be granted less than $200,000, and (2) the total funds available includes grants for outlying territories (Guam, Virgin Islands, etc.) which are not included in the computation of Table 5.1.

The data in Table 5.1 show that elimination of the per capita income adjustment is not a clear-cut issue of Sunbelt loss and Frostbelt gain. While Frostbelt states like New York, New Jersey, and Massachusetts would gain by the elimination of the income adjustment, other Frostbelt states would lose. Among the Frostbelt states which would lose Vocational Education funds if the income adjustment were eliminated are Maine, New Hampshire, Ohio, Indiana, and Michigan. At the current budget level ($500 million), Michigan would lose almost $1.24 million of Vocational Education funds. In the Sunbelt region Texas would gain almost one-half million dollars by the elimination of the income adjustment. California would gain the most from formula revision: $7.35 million. In every region some states would gain while others would lose funds because of formula revision.

The Rehabilitation Act Basic Support Grants program provides

funds to states to provide diagnosis, evaluation, counseling, training, vocational rehabilitation and related services to handicapped individuals.[32] Rehabilitation Act programs have many functional links with Vocational Education programs. Total funds available for 1980 were $817 million. Funds are distributed among states by a formula combining population and per capita income. It uses an allotment ratio to adjust population shares for per capita income differences. In the Rehabilitation Act formula, the per capita income amounts are squared. This has the effect of exaggerating the distribution of funds toward low income states. The rationale for the squared ratio is that vocational rehabilitation services and education for the handicapped are especially critical in an economically underdeveloped area.

Table 5.2 shows the distribution of funds among states per million dollars of total funds available. The effect of removing the income adjustment is also shown for each state. Again the data reveal that elimination of the income adjustment is not a pure Frostbelt versus Sunbelt issue. In the Frostbelt Maine, Vermont, Ohio, and Indiana would lose funds if the income adjustment were eliminated. In the Sunbelt Maryland, Virginia, Texas, and California would gain funds by elimination of the income adjustment.

The Public Library Services program provides funds for operating library services and programs, especially to inadequately

TABLE 5.2

DISTRIBUTION OF REHABILITATION ACT BASIC SUPPORT PROGRAM GRANTS TO STATES PER MILLION DOLLARS OF PROGRAMS FUNDS (BASED ON 1980 POPULATION AND INCOME DATA)

State	With Income Adjustment	Without Income Adjustment
New England		
Maine	$ 6,000	$ 5,000
New Hampshire	4,000	4,000
Vermont	3,000	2,000
Massachusetts	21,000	25,000
Rhode Island	4,000	4,000
Connecticut	9,000	14,000
Middle Atlantic		
New York	64,000	78,000
New Jersey	22,000	33,000
Pennsylvania	52,000	53,000
East North Central		
Ohio	50,000	48,000
Indiana	26,000	24,000
Illinois	35,000	50,000
Michigan	36,000	41,000
Wisconsin	21,000	21,000
West North Central		
Minnesota	17,000	18,000
Iowa	13,000	13,000
Missouri	23,000	28,000
North Dakota	3,000	3,000
South Dakota	4,000	3,000
Nebraska	7,000	7,000
Kansas	9,000	10,000
Middle Atlantic		
Delaware	2,000	3,000
Maryland	15,000	19,000
Virginia	23,000	23,000
West Virginia	11,000	9,000
North Dakota	33,000	26,000
South Dakota	18,000	14,000
Georgia	30,000	24,000
Florida	45,000	43,000

TABLE 5.2 CONTINUED

State	With Income Adjustment	Without Income Adjustment
East South Central		
Kentucky	$21,000	$16,000
Tennessee	26,000	20,000
Alabama	23,000	17,000
Mississippi	16,000	11,000
West South Central		
Arkansas	14,000	10,000
Louisiana	22,000	19,000
Oklahoma	14,000	13,000
Texas	59,000	63,000
Mountain		
Montana	4,000	3,000
Idaho	5,000	4,000
Wyoming	1,000	2,000
Colorado	11,000	13,000
New Mexico	7,000	6,000
Arizona	14,000	12,000
Utah	9,000	6,000
Nevada	7,000	4,000
Pacific		
Washington	14,000	18,000
Oregon	11,000	12,000
California	68,000	100,000
Alaska	1,000	2,000
Hawaii	4,000	4,000

served areas and special populations.[33] In 1980 funds available for the program totalled $62 million.

The basic grants are distributed on the basis of total population, but acceptance of the grant obligates the state to provide matching funds. The computation is similar to the computation of the Vocational Education Grant allotment ratio. Table 5.3 shows matching requirements for each state based on 1980 per capita income. No state may have a matching requirement more than 0.67 nor less than 0.33. Elimination of income considerations from grant formulae would remove the differences in state matching requirements for the Public Library Services program. Every state would be required to match the federal grant at the 50% rate. Under the existing formula every region but one includes some states with less than 50% as a matching requirement and some states with more than 50% as a matching requirement. Only the four states of the East South Central region are uniformly below 50%.

As with the two other programs, elimination of the per capita income consideration from distribution of funds for Public Library Services is not a pure issue of Frostbelt versus Sunbelt. Elimination of the income factor would hurt more Frostbelt states than it would help. States in every region of the country benefit from consideration of per capita income in these funding formulae. The regional totals in data presentations tend to obscure the important variations in level of economic development among the

TABLE 5.3

INCOME-DERIVED MATCHING REQUIREMENTS
FOR LIBRARY SERVICES ACT
GRANTS TO STATES
(based on 1980 data)

New England	
Maine	41%
New Hampshire	47%
Vermont	41%
Massachusetts	53%
Rhode Island	49%
Connecticut	60%
Middle Atlantic	
New York	53%
New Jersey	57%
Pennsylvania	49%
East North Central	
Ohio	49%
Indiana	47%
Illinois	56%
Michigan	52%
Wisconsin	49%
West North Central	
Minnesota	50%
Iowa	48%
Missouri	47%
North Dakota	45%
South Dakota	40%
Nebraska	47%
Kansas	52%
Middle Atlantic	
Delaware	54%
Maryland	54%
Virginia	50%
West Virginia	41%
North Carolina	41%
South Carolina	40%
Georgia	42%
Florida	47%
East South Central	
Kentucky	41%
Tennessee	41%
Alabama	40%
Mississippi	40%
West South Central	
Arkansas	40%
Louisiana	44%
Oklahoma	48%
Texas	50%
Mountain	
Montana	44%
Idaho	43%
Wyoming	56%
Colorado	52%
New Mexico	42%
Arizona	45%
Utah	39%
Nevada	55%
Pacific	
Washington	55%
Oregon	49%
California	57%
Alaska	60%
Hawaii	51%

states of each region. The issue of including per capita income considerations in education funding formulae is an issue that transcends regions. The real issue is whether or not we wish to use education funding as a policy tool to respond to the needs of the lower income states in every region.

The proponents of elimination of income adjustments from federal funds distribution formulae have attempted to cast the argument in terms of a Frostbelt versus Sunbelt conflict. This paper has shown that each element of the formula revision argument is based on myth. The idea of a massive population migration into the Sunbelt was shown to be a myth which overlooked the positive population growth in almost every state and the small degree of shift in relative population distribution. The idea of economic decline in the North coupled with widespread prosperity in the South was shown to be a myth which overlooked gains in per capita income and employment in every state and which ignored the continued deficiency of per capita income levels in the South. The idea of a pro-sunbelt distribution of federal spending was shown to be a myth which was based on misinterpretation of spending and tax collection data. Finally, the idea that elimination of income adjustments from funding would simply transfer funds from Sunbelt states to Frostbelt states has been shown to be a myth which ignores the numerous states in every region which would lose funds by formula revision.

Per capita income considerations were included in the formulae for education grant distribution originally because the relative poverty status of some states was relevant to the educational goals of the program. Education opportunity is an important vehicle for promoting economic development of the relatively poor areas of the nation. While the income gap between the rich and poor states is narrower than in the past, it is still present and it is significant. As long as that gap persists, there is no basis for removing per capita income from the formulae.

NOTES

[1]See for example Joel Havemann and Rochelle L. Stanfield, "Federal Spending: The North's Loss Is the Sunbelt's Gain," National Journal, vol. 8 (June 26, 1976) no. 26, pp. 874-891; and Joel Havemann and Rochelle L. Stanfield, "Neutral Federal Policies Are Reducing Frostbelt-Sunbelt Spending Imbalances," National Journal, vol. 13 (February 7, 1981) no. 6, pp. 233-236.

[2]"The South Today," Time Magazine, vol. 108, September 27, 1976, pp. 25-32; also see "The Second War Between the States," Business Week, May 17, 1976, pp. 92-114.

[3]Joel Havemann and Rochelle L. Stanfield, "Federal Spending: The North's Loss Is the Sunbelt's Gain," p. 874.

[4]A good balanced analysis is provided in C. L. Jusenius and L. C. Ledebur, "A Myth in the Making: The Southern Economic Challenge and Northern Economic Decline," (Washington: United States Department of Commerce, November 1976).

[5]"The Second War Between the States," Business Week, May 17, 1976, pp. 92-114.

[6]United States Bureau of the Census, "1980 Census of Population: Supplementary Reports," Series PC80-S1, No. 1.

[7]A drawback of the census regional classification of states is that it includes Delaware and Maryland among the South Atlantic states. Economic relationships would dictate including Delaware and Maryland in the Middle Atlantic group to cover the entire New York/Washington economic corridor in one region.

[8]Jusenius and Ledebur, op. cit., pp. 4-6.

[9]Ibid., p. 6.

[10]Computations are based on data in Table 2.3.

[11]Data compiled from United States Bureau of the Census, "1980 Census of Population: Supplementary Reports," Series PC80-S1, no. 1 and United States Bureau of the Census, Statistical Abstract of the United States: 1980 (Washington: United States Government Printing Office, 1980), Table 10, p. 12.

[12]Joel Havemann and Rochelle L. Stanfield, "Federal Spending: The North's Loss Is the Sunbelt's Gain," p. 874.

[13]C. L. Jusenius and L. C. Ledebur, op. cit., pp. 23-24.

[14]Ibid., p. 27.

[15]Quoted in C. L. Jusenius and L. C. Ledebur, op. cit., p. 27.

[16]United States Department of Commerce, Bureau of Economic Analysis, "1980 State Per Capita Personal Income," Series BEA 81-25, May 1981, p. 5.

[17]Ibid., pp. 6-7.

[18]United States Bureau of the Census, Statistical Abstract of the United States: 1980, Table 811, p. 489.

[19]Ibid., p. 489.

[20]Joel Havemann and Rochelle L. Stanfield, "Neutral Federal Policies Are Reducing Frostbelt-Sunbelt Spending Imbalances," p. 234.

[21]United States Department of Commerce, Bureau of Economic Analysis, "1980 State Per Capita Personal Income," p. 6.

[22]Joel Havemann and Rochelle L. Stanfield, "Federal Spending: The North's Loss Is the Sunbelt's Gain," pp. 874-891 and "Neutral Federal Policies Are Reducing Frostbelt-Sunbelt Spending Imbalances," pp. 233-236.

[23]"The South Today," pp. 25-32.

[24]The inflation of prices over the 1970-79 period was 101%, leaving a real increase of 19% for the decade. See United States Bureau of the Census, Statistical Abstract of the United States: 1980, p. 486.

[25]United States Water Resources Council, 1972 OBERS Projections, p. 103.

[26]United States Bureau of the Census, Statistical Abstract of the United States: 1980, p. 463.

[27]Ibid., p. 399.

[28]Joel Havemann and Rochelle Stanfield, "The North's Loss Is the Sunbelt's Gain," pp. 874-891.

[29]Joel Havemann and Rochelle Stanfield, "Neutral Federal

Policies Are Reducing Frostbelt-Sunbelt Imbalances," pp. 233-236.

[30]United States Bureau of the Census, "Governmental Finance in 1978-79," Series GF79, no. 5, p. 29.

[31]Office of Management and Budget, Catalog of Federal Domestic Assistance, 1980, p. 279

[32]Ibid., p. 338.

[33]Ibid., p. 265.

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